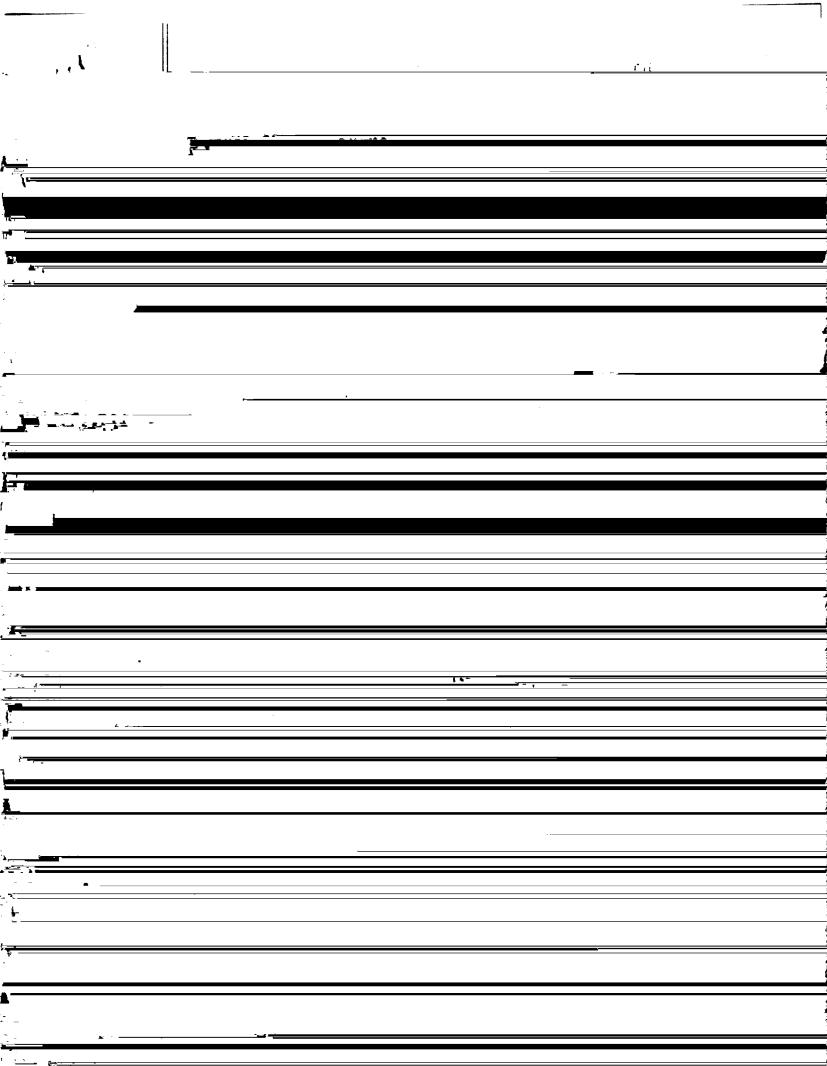
CERTIFICATE OF SERVICE

I, Lisa M. Dorn, of the law firm of Farrow, Schildhause & Wilson, 1730 M Street, N.W., Suite 708, Washington, D.C., 20036, do hereby certify that copies of the foregoing "Petition to Deny" were sent, by first-class United States mail, on the 1944 day of November, 1987, to the following:

Donald P. Zeifang, Esq. Baker & Hostetler 1050 Connecticut Ave., N.W. Washington, D.C. 20036

Lisa M. Dorn



Plaintiffs, Weststar Communications I, a California limited partnership, Weststar Communications II, a California limited partnership, Weststar, Ltd., a California limited partnership, Weststar, Inc., a California corporation, Rodney A. Hansen and Eugene Tacopi, bring this actions against all defendants, demand a jury trial, and allege as follows:

JURISDICTION |

and §2 of the Sherman Act (15 U.S.C. §1) and are brought pursuant to §§4 and 16 of the Clayton Act (15 U.S.C. §§15 and 26). This Court has jurisdiction over these claims pursuant to 28 U.S.C. §1337. The third claim arises under the laws of the State of California. Jurisdiction over that claim is pendant and ancillary to the Court's jurisdiction over the first and second claims.

THE PARTIES

- 2. Plaintiff Weststar Communications I is a California limited partnership. Weststar Communications I is and since 1984 has been the owner and operator of a cable television system within various portions of Nevada and Placer Counties commonly referred to as the Truckee and Tahoe City areas.
- 3. Plaintiff Weststar Communications II is a California limited partnership. Weststar Communications II is and since December, 1984 has been the owner and operator of a cable television system within the City of Roseville, California.

- 4. Plaintiff Weststar Ltd. is the general partner of both Weststar Communications I and Weststar Communications II. Plaintiff Weststar Communications, Inc. holds a controlling interest in Weststar, Ltd.
- 5. Plaintiffs Hansen and Tacopi are the majority shareholders of Weststar Communications, Inc.
- ("Scripps-Howard") is an Ohio corporation and sole shareholder of defendant Scripps-Howard Cable Company of Sacramento, Inc. ("SHCC"), a Delaware corporation. SHCC is a 95 percent partner in defendant Sacramento Cable Television ("SCT"). The remaining 5 percent interest in SCT is held by River City Cablevision, Inc. ("River City"), a California corporation. Sacramento Cable Television is the owner and operator of a cable television system within Sacramento County, California.
- 7. Defendant Scripps-Howard is one of the largest media companies in the country. By 1983, Scripps-Howard, either directly or indirectly, owned or otherwise participated in the financing, operating, or developing of more than 30 cable television systems. Scripps-Howard presently has approximately 380,000 cable television subscribers nationwide. In addition, Scripps-Howard owns several television and radio broadcast stations. As of December, 1983, it had total assets of \$126,000,000 and 1983 revenues of over \$100,000,000. On information and belief, each of the anti-competitive acts of SHCC and SCT, or either of them, was directed and supervised by defendant Scripps-Howard.

- 8. Scripps-Howard and SHCC have overlapping officers and directors. Moreover, on information and belief, all of SCT's and SHCC's financing is provided by Scripps-Howard and funds received by SCT and SHCC are deposited directly into accounts under the control of Scripps-Howard.
- 9. On information and belief, neither ScrippsHoward, SHCC nor Sacramento Cable Television compete in the
 marketplace with other cable television companies in any of the
 areas in which they operate. On information and belief, it has
 long been the policy of defendants to foreclose competition
 whenever possible by both legal and illegal actions. These
 actions have included buyouts of competitors, threats of and
 institution of litigation against present or potential
 competitors, threats of and instances of ruinous competition
 undertaken solely to chastise potential competitors, and
 various other acts of unfair competition.

BACKGROUND FACTS

- 10. Beginning sometime in 1983, and continuing to the present, defendants have embarked upon a campaign and course of conduct designed and intended to obtain and maintain an unlawful monopoly over distribution of news, information and entertainment by means of cable television services within Sacramento County, and to engage in activities specifically intended to preclude others from operating cable television businesses within defendants' area of operation.
- 11. Sometime in mid-1983, Scripps-Howard decided to attempt to become the sole provider of cable television services within both the incorporated and unincorporated areas

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of Sacramento County, California. In order to increase its chances of success, Scripps-Howard, through its newly-formed subsidiary SHCC, combined with two other entities. One such entity was Cablevision Systems Sacramento Corporation, a subsidiary of another large cable television company from New York, Cablevision Systems Corporation (herein collectively "Cablevision"). The other entity with which Scripps-Howard combined was River City, a group of seventy-three politically-connected or otherwise influential Sacramento area individuals. Scripps-Howard agreed to provide River City with 5 percent ownership of the cable television system in

Similar suits were also initiated against the Cities of Los Angeles and Palo Alto by other cable television companies in September, 1983. The fact of these lawsuits and their general basis were widely publicized in newspapers and the trade press, and Scripps-Howard became aware of them soon after their filing.

- partnership. Beginning in August, 1983, plaintiff Hansen acted as a consultant to assist Pacific West in obtaining the right to be a cable television operator in Sacramento. Upon obtaining that right for Pacific West, Hansen became entitled to partnership interest in Pacific West Cable. Cn information and belief, at all relevant times, defendants have been aware of Hansen's interest in Pacific West as well as Weststar Communications, Inc. and through it, Weststar, Ltd., Weststar Communications I and Weststar Communications II.

 Defendants were at all times herein familiar with the fact that Iacopi was a major stockholder in Weststar Communications, Inc.
- 14. On December 2, 1985, plaintiff Iacopi (doing business as Iacopi Cable Company) filed suit against defendants SCT and SHCC, among others, alleging anti-competitive and unconstitutional activity in connection with SCT's efforts to delay, hinder or preclude competition in the Sacramento cable television market. Iacopi has sued to compete with SCT in Folsom, California and has expressed interest in competing in other portions of Sacramento County.
- 15. Defendants' attempts to punish all plaintiffs for Hansen and Tacopi's involvement as competitors and with other

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competitors of defendants, and to retaliate against and to deter competition from Pacific West and others, form the core of this complaint.

- 16. Despite their knowledge of the lawsuit filed by Pacific West on September 9, 1983, which challenged precisely the type of <u>de facto</u> exclusive cable television franchise which they were seeking, defendants proceeded to seek such a <u>de facto</u> monopoly franchise, and, on September 20, 1983—after the Pacific West lawsuit was filed—the combination of SHCC, River City and Cablevision Systems Sacramento Corp. submitted a "proposal" to the local governments, seeking a <u>de facto</u> monopoly over cable television services in Sacramento.
- 17. Not satisfied with having the political influence of the 73 shareholders of River City, defendants also contacted other individuals and institutions, and offered to and promised to enter into agreements to pay monies and to provide other

thereby restrain the commerce of news, information and entertainment provided by cable television in Sacramento County. Since on or about November 22, 1983, defendants and River City, all acting in concert, have held a monopoly over cable television service in Sacramento County. As part and parcel of said agreement, defendants paid and offered to continue to pay sums of money and to provide services in kind to the governmental bodies involved, so long as said governmental units would deny to others the rights to publish and speak in the Sacramento metropolitan area by means of cable television.

- 19. Further, defendants sought out other individuals and institutions and paid, and offered to continue to pay to them sums of money and services in exchange for their aid in protection of the exclusivity of the rights wrongfully obtained by said defendants.
- 20. Between November 22, 1983 and the present, defendants, acting for themselves and with others, have embarked upon a further series of anti-competitive acts specifically designed to maintain that monopoly status, as more particularly set forth below, and have made concerted efforts to extend the geographical area of that monopoly as is hereinafter set forth.
- 21. On information and belief, by December, 1984, and continuously thereafter, Scripps-Howard knew or should have known that the procedure through which it entered into the agreement with local governments to obtain and maintain the cable television monopoly in Sacramento County was illegal and

unconstitutional. Nevertheless, in or about December, 1984, and thereafter, defendants voluntarily and intentionally sought to maintain and to extend their said conopoly. Sometime in or around December, 1984, defendants seized upon the financial condition of Cablevision to force its elimination from the venture, and thereby increased Scripps-Howard's and SHCC's control over the cable television market in Sacramento County.

immediately attempted to purchase the Roseville system from Weststar Communications II. On information and belief, the purpose of defendants in offering to purchase the Roseville system was to extend their monopoly into new and adjacent territory and to foreclose the possibility of competition in Sacramento. SCT's offer was refused.

- 24. Further, and for the purpose of maintaining and extending their monopoly control of cable television in the Sacramento metropolitan area, in or about March, 1985, Scripps-Howard entered into a written indemnity agreement with governmental entities designed to deny the right to publish by cable television in that area to others.
- 25. In addition, defendants began to redesign their cable television system in Sacramento and to change their pace and sequence of constructing it. On information and belief, defendants' intent in doing so was to unlawfully maintain SCT's monopoly through construction sequence and timing designed to foreclose competition, and to pressure Hansen and Weststar Communications II to sell their system in Roseville. The relevant decisions as to when, where and how fast to construct SCT's cable television system were almost wholly within the discretion of defendants, which discretion was exercised in an anti-competitive manner, to wit:
 - a. Defendants decided to, and SCT did construct that area of Sacramento County commonly known as Citrus Heights earlier than had been previously planned in reaction to threatened competition in that area from the Roseville, California cable television

system, which immediately abuts that region across the County line. This construction sequence was contrary to SCT's prior public construction schedules. b. Defendants decided to, and SCT did construct the northern portion of Citrus Heights first, even

company to construct as much of its serial system as is possible before completing the underground portions.

- d. Defendants decided to, and SCT did accelerate its construction in Folsom, California as a result of threatened competition from plaintiff Iacopi doing business as Iacopi Cable Company, as well as from plaintiff Hansen and Pacific West Cable Company. Both Iacopi and Hansen had publicly expressed interest in beginning construction of a competing cable television system in Folsom. This construction sequence was contrary to SCT's prior public construction schedules, and contrary to accepted business standards.
- e. Defendants decided to, and SCT did construct the portions of its cable television system in that area of Sacramento County known as Pancho Cordova, California, long before programming signal was available in that area, contrary to standard cable television industry practice and sound cash flow management. This construction was undertaken in direct response to the publicly stated interest of a potential competitor, Cable Americal, in competing with SCT in that area.
- f. Defendants decided to, and SCT did accelerate SCT's overall pace of construction with the express purpose and intent of maintaining its monopoly over cable television service in Sacramento.

26. Beginning in or about December, 1983 and continuing to the present, defendants have embarked upon a premeditated effort to purchase all potential competitors, thus maintaining and extending their monopoly over caple television services in Sacramento and environs. On information and belief, defendants have used their existing monopoly power to coerce various potential competitors into selling to SCT, and have otherwise used improper means as part of SCT's buyout activities. SCT's buyouts and attempted buyouts of potential competitors include, but are not limited to, the following:

purchase of Home Satellite Entertainment, a satellite master antennae television company (SMATV or "private cable") operating in Sacramento County and providing the equivalent of cable television services through

Mather Air Force Base (on federally-controlled property within Sacramento County) and McClellan Air Force Base (on federally-controlled property within Sacramento County).

completed building the areas covered by its <u>de facto</u> exclusive franchise, defendants decided to expand the area over which they had a <u>de facto</u> monopoly right to provide cable television service, so as to prevent the development of potentially competitive, adjacent cable systems which could, if allowed, then extend service to some or all of the territory sought to be controlled by defendants. This expansion covered more than 75,000 homes and included approximately 755 underground plant miles. Defendants expected to receive total net income from this expanded area alone in excess of \$13.8 million, much of which would be attributable, on information and belief, to SCT's monopoly profits.

verdicts in <u>Pacific West Cable Company v. City of Sacramento</u>, the City of Sacramento and County of Sacramento enacted ordinances permitting other cable television companies to compete with SCT in at least some of the Sacramento cable television market, under certain terms and conditions.

Immediately prior to the adoption of these ordinances, SCT's chief executive officer publicly threatened to sue the City and County for hundreds of millions of dollars if the ordinances were enacted. This threat was unsuccessful. The ordinances were adopted.

29. Following adoption of the above-referenced ordinances, defendants embarked upon a campaign of threats and intimidation in attempts to ward off competition from any persons believed by defendants to be potential competitors, said actions including, among others, the following:

- On July 8, 1987 -- two days after enactment of a. the above-referenced ordinances--Richard Davis, SCT's chief executive officer, contacted plaintiff Hansen and requested a luncheon meeting. On July 9, 1987, Hansen and Davis met for lunch, whereupon Davis told Hansen that the executives of Scripps-Howard were severely displeased with the possibility of competition in Sacramento from Pacific West Cable. Davis inquired of Hansen whether Pacific West Cable truly intended to compete with it in Sacramento, and after Hansen responded affirmatively, Davis announced that SCT would retaliate by entering the Roseville and Truckee markets because Hansen held interests in those systems (through Weststar Communications I and Weststar Communications II). Davis stated that SCT would begin preliminary mapping of Roseville within a week.
- b. Several days later, another representative of SCT contacted an employee of the Roseville cable system and stated that SCT was in the process of preparing to build a system in Roseville.
- c. On July 13, 1987, SCT sent a letter to the Roseville City Manager stating that SCT intends to

build a cable television system in direct competition with the existing Roseville system owned by Weststar Communications II. The letter states that SCT will construct its system within a few months. For the express purpose of threatening Hansen, and through him Pacific West, defendants sent a copy of said letter to Hansen.

- d. On July 28, 1987, defendants sent a letter to the Nevada County administrator, stating that SCT intended to build a cable system in competition with Weststar Communications I's system in Truckee and Tahoe City.
- e. The express purpose and intent of the actions alleged in "" a through d above was to frighten, and/or coerce plaintiffs Hansen and Iacopi into using their influence to persuade or attempt to persuade Pacific West Cable not to compete with SCT in the Sacramento market. Indeed, SCT's Chief Executive Officer has been quoted as stating that SCT "plans to look hard at other markets served by potential competitors", so that "if those companies make a move in Sacramento. . . Scripps-Howard might counter by applying for licenses in those cities to make competitors think twice about picking a fight."
- f. As noted, since early 1985 and continuing through the present, defendants have attempted to purchase the Roseville system from Weststar Communications II in order to maintain and expand

SCT's monopoly. During the Spring of 1987, Weststar Communications II began negotiating with various other cable television companies about the possible purchase of the Roseville system. Upon information and belief, when defendants learned of these negotiations, they took actions, including those herein described in this paragraph 29, intended to disrupt the potential sale to any cable television company other than SCT and to force a reduction of the price which Weststar Communications II could obtain from any purchaser other than SCT, thus coercing Weststar Communications II to sell the Roseville system to SCT.

- g. On July 15, 1987, defendants filed an action against various local governmental defendants, and other parties. Defendants published a threat to join as defendants in that action any cable television company who entered the Sacramento cable television market in competition with SCT.
- h. On two separate occasions, in two separately filed actions, defendants, without any standing to do so, attempted to enjoin the issuance of any licenses permitting competition against it. Both of these efforts were unsuccessful but caused great expense and hardship to one or more of SCT's potential competitors. As to plaintiffs herein, said actions

sought the aid and cooperation of some or all of the individuals and institutions who were provided monies, things of value and services by defendants so long as defendants were able to obtain and maintain a de facto monopoly over cable television service in Sacramento to aid in defendants' attempts to so retaliate against and punish plaintiffs herein, and to prevent plaintiffs from aiding Pacific West. When the true extent of such activities have become known, plaintiff will move the court for permission to add additional defendants, together with such charging allegations as are appropriate. On information and belief, the acts and deeds of defendants as set forth above, are consistent with the mode of operation of Scripps-Howard in other markets.

FIRST CLAIM FOR RELIEF (Sherman Act, Section 2)

31. Plaintiffs incorporates herein by reference the allegations of paragraphs 1 through 30 above, and further

defendants' obtaining and maintaining a monopoly is the geographic limits of the County of Sacramento and adjacent portions of the Sacramento metropolitan area, including Roseville. In addition, there is involved the smaller geographic market which includes Truckee and Tahoe City in the County of Nevada, California.

36. Defendants, individually and in conspiracy with each other and others, have used and are now attempting to use their substantial market power within the Sacramento area cable television market to acquire, maintain, and exert monopoly power over cable television service in the relevant geographic areas.

- 37. Beginning at some time unknown to plaintiff, defendants and their conspirators have, with specific intent, and with a dangerous probability of success, engaged in the acts hereinabove described which amount to monopolization of, attempts to monopolize, and conspiracy to monopolize the cable television market in the Greater Sacramento including Roseville, and Truckee/Tahoe areas. Defendants and their conspirators now possess monopoly power, and have consciously maintained and extended it. Defendants and their conspirators threaten to further maintain and extend their monopoly power as above described.
- 38. The above-mentioned violations have directly and proximately caused damage to plaintiffs in their business and property in substantial amounts which are as yet unknown, and which will be set forth in full when ascertained.

and will continue to cause, irreparable harm to plaintiffs.

Unless defendants are enjoined from engaging in said
anti-competitive actions and threatened actions, plaintiffs
will continue to suffer great and irreparable.

WHEREFORE, plaintiffs pray for relief as hereinafter set forth.

SECOND CLAIM FOR RELIEF (Sherman Act, Section 1)

- 40. Plaintiffs incorporate herein by reference the allegations of paragraphs 1 through 39 above, and further alleges as follows:
- 41. This claim for relief arises under Section 1 of the Sherman Act (15 U.S.C. Section 1) and is brought pursuant to Sections 4 and 16 of the Clayton Act (15 U.S.C. Section 15 and 26). The court has jurisdiction over this claim pursuant to 28 U.S.C. Section 1337.
- 42. Defendants, and each of them, have acted in combination and conspiracy with each other and with other conspirators, both willing and unwilling, to accomplish the wrongful and illegal acts described in this complaint. In addition, through coercive and improper means, defendants have compelled and threatened to compel others, both private and governmental, to join with defendants as unwilling co-conspirators in the acts described above so as to obtain exclusive control over the cable television business in the Sacramento metropolitan area, and in Roseville and the Truckee/Tahoe City areas.

43. Beginning at some time unknown to plaintiffs and continuing thereafter, defendants and their conspirators—coth willing and unwilling—have engaged in and attempted to engage in unlawful contracts, combinations and conspiracies in unreasonable restraint of interstate trade and commerce, designed to prohibit, destroy and hinder competition as above described. The contracts, combinations and conspiracies herein alleged include continuing actions and agreements the aims of which are to prevent, hinder and restrain the entry of, among others, Pacific West Cable Company, Hansen and Iacopi into the relevant marketplace through a pattern of threatened and actual anti-competitive acts and statements specifically designed to accomplish this anti-competitive goal.

- 44. The above-mentioned unreasonable restraints of trade include efforts to allocate customers and territories among horizontal competitors, which acts constitute per se violations of the antitrust laws.
- 45. Plaintiffs are informed and believe that, unless restrained by this court, defendants will continue to take actions which will unreasonably restrain interstate commerce.
- 46. The above-mentioned violations of the antitrust laws have directly and proximately caused damage to plaintiffs in their business and property in substantial amounts which are as yet unknown, and which will be set forth in full when ascertained.
- 47. The above-mentioned violations of the antitrust laws have also caused, and threaten to cause, and will continue to cause, irreparable injury to plaintiffs. Unless defendants

are enjoined from engaging in said anti-competitive actions, plaintiffs will continue to suffer great and irreparable harm.

WHEREFORE, plaintiffs pray for relief as hereinafter set forth.

THIRD CLAIM FOR PFLIEF (Interference With Economic Advantage)

- 48. Plaintiffs incorporate herein by reference the allegations of 1 through 47 above, and further allege as follows:
- 49. This claim is asserted against defendants, and each of them, under the laws of the State of California.

 Jurisdiction of the court over this claim is ancillary and pendant to the court's jurisdiction are plaintiffs' First and Second Claims for Relief. This claim derives from a common nucleus of operative facts and presents legal issues that are inextricably intertwined with the claims alleged above.
- relationships containing the probability of future economic benefit with Weststar Communications I, Weststar Communications II and the limited partners therein. Hansen has an economic relationship containing the probability of future economic benefit with Pacific West Cable Company. Weststar Communications I and Weststar Communications II have economic relationships containing the probability of future economic relationships containing the probability of future economic benefit with present and future cable television subscribers in Roseville and in Truckee/Tahoe City, as well as with Hansen, Iacopi, Weststar Communications, Ltd. and Weststar Communications, Inc. Weststar Communications II had an

economic relationship containing the probability of future economic benefit with a prospective purchaser of the Roseville cable television system. Jacopi has an economic relationship containing the probability of future economic benefit with present and future cable television subscribers in Folsom.

- 51. Defendant SCT, and on information and belief, defendants SHCC and Scripps-Howard, had knowledge of the existence of each of the above economic relationships.
- 52. Defendant SCT, on information and belief while acting at the direction of defendants SHCC and Scripps-Howard, and without valid justification therefor, has intentionally taken actions designed to disrupt each and every one of the above economic relationships, and to deprive plaintiffs and each of them of the future economic benefits to be derived from them.
- 53. Defendant SCT's actions have caused and/or imminently threaten to cause actual disruption of the above described economic relationships.
- 54. On information and belief, some or all of defendants' actions as described above were taken with malice and oppression, making an award of punitive damages appropriate.
- or other remedy by which to prevent or minimize the continuing harm to their rights resulting from the actions described above. Unless the defendants are enjoined from committing the above described violations, plaintiffs will continue to suffer great and irreparable harm as aforesaid.

56. As a proximate result of defendants' actions as